PERSONAL INCOME TAX REDUCTION

Personal income tax

A link with fairness

MARCH 29, 2001

Québec
Ministère des Finances

Personal income tax
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FOREWORD

By the Deputy Prime Minister and

Minister of State for the Economy and Finance

*With the **2001-2002 Budget Speech**, the government is introducing a new and substantial personal income tax reduction. These tax cuts, which will amount to $3.5 billion over the next three fiscal years, will come into effect as of July 1 of this year, and enable all taxpayers to reap the benefits of a streamlined tax system. The new reduction plan accelerates and amplifies the tax cuts announced in March 2000, with the result that by 2002, taxpayers will have paid an average of 20% less income tax annually.*

All taxpayers will benefit from the cuts announced, but tax relief will be felt especially by those who need it most, that is, less affluent taxpayers, the middle class and families with children who fall into either of these categories. Concurrently, the tax system will be automatically indexed a year ahead of schedule, in January 2002, thereby protecting taxpayers against tax increases caused by inflation.

In modern-day societies, personal income tax serves two purposes. It is an indispensable source of revenue for the financing of public services provided to citizens, and also a means of reallocating wealth and reducing inequalities in income distribution between rich and poor.

This is especially true of Québec's tax system. Personal income tax is by far the most important source of financing for public services. Thanks to their tax contributions, Quebecers enjoy universally accessible, high-quality public services. At the same time, our tax system is one of the most progressive in North America—40% of all Québec taxpayers are not on the tax rolls.

*Fiscal policy must be made in accordance with these two fundamental realities, and this is exactly what the government has done in amending the personal income tax system. By restoring order to our public finances, the government has succeeded in reducing Quebecers' tax burden while maintaining accessible, high-quality public services. The personal income tax reduction plan announced in the **2001-2002 Budget Speech** comes as part of a balanced budgetary context that encourages massive investments in the various public services.*

This reduction has been achieved while ensuring that the tax system continues to guarantee the redistribution of wealth and the reduction of inequalities, both of which are priorities for Québec society. At the same time, this system remains streamlined, competitive, progressive and more conducive to employment, while fully protecting taxpayers against the effects of inflation.

Thanks to its sound management of our public finances, the government is thus providing Quebecers with a tax system that is more efficient and geared to their priorities. In addition, this system will enable them to benefit directly from the dividends of a prosperous and invigorated economy.

PAULINE MAROIS

SUMMARY

With the **2001-2002 Budget Speech**, the government is announcing a new and substantial reduction of personal income tax, over and above the deep cuts announced in March 2000. The purpose of this document on **personal income tax reduction** is to provide citizens with all the information they need to correctly assess the changes to the personal income tax system and make the connection with the tax cuts already implemented.

❒ *A new tax reduction of $3.5 billion*

The government will cut personal income tax by a total of $3.5 billion over the next three fiscal years, i.e. by $1 billion in 2001-2002, $1.2 billion in 2002-2003 and $1.3 billion in 2003-2004.

In total, over four fiscal years, and taking into account the cuts announced in March 2000, taxpayers will have benefited from a cumulative tax reduction of $11 billion in 2003-2004. Already, in 2002, taxpayers will be paying 20% less income tax annually as compared to the amounts they were paying prior to March 2000.

The tax relief afforded by the government is the result of three changes made to the personal income tax system.

❒ *Further tax cuts as of July 1, 2001*

— First, a new tax table will be implemented as of July 2001, reducing the three tax rates under the current system from 18%, 22.5% and 25% to 16%, 20% and 24% respectively.

  Prior to the Budget tabled in March 2000, these three tax rates were 20%, 23% and 26%. This means that in the space of two Budgets, a four-point reduction will have been accorded for the first rate – the one that affects all taxpayers – a three-point reduction for the second rate, and a two-point reduction for the third rate.

— Second, the additional tax reduction for families, announced in March 2000 and scheduled for full implementation in January 2002, will be implemented a year earlier than anticipated, with a retroactive effect as of January 2001.

- ***Automatic indexation of the tax system moved forward to January 1, 2002***

— Third, the personal income tax system will be indexed by the government beginning in January 2002. This indexation will affect the three taxable income brackets defined in the tax table, as well as most of the tax credits and other parameters of the system.

The new tax table will thus apply to income tax brackets whose thresholds have been raised, thereby enhancing the scope of the personal income tax reduction as of 2002.

- ***A tax cut of 20% in 2002***

This additional tax relief will mean an average tax cut of 7% per household, or the equivalent of $477, in 2002. In total, and including the reduction announced in March 2000, taxpayers will benefit, in 2002, from an average annual tax cut of 20%, or the equivalent of $1 410.

This new tax reduction will especially benefit the middle class and less affluent taxpayers, and especially families with children who fall into these income categories.

- ***Tax relief for all taxpayers, but especially for families, the middle class and low-income earners***

This document explains the financial gains resulting from the tax relief granted to individuals, using eight examples that are representative of the most common types of households.

The following are examples of some of these gains:

— In the case of families with children, a two-earner couple with two children and a combined income of $50 000 will see its income tax reduced by a cumulative total of 43%, or $2 141, in 2002, while the same couple with an income of $100 000 will benefit from a reduction of 18%, or $3 034.

— In the same category, a single-parent family with one child and an income of $30 000 will benefit from a cumulative tax reduction of 45%, or $1 010, in 2002, while the same family with an income of $50 000 will pay 25% less tax, or $1 960.

— A couple aged 65 or over with a combined income of $35 000 will see its income tax decrease by a cumulative total of 36%, or $833, in 2002, and by 22%, or $1 350, for a combined income of $50 000.

— In the case of persons who live alone, a taxpayer under 65 years of age who earns an annual income of $30 000 will pay a cumulative total of 24% less income tax, the equivalent of $979. The same taxpayer earning $50 000 will see his or her income tax reduced by 18%, or $1 574.

❑ ***An improved personal income tax system***

The personal income tax reduction announced in the **2001-2002 Budget Speech** will result in several vital improvements to the tax system, thus expanding on the changes announced in March 2000.

— The tax burden of the middle class and families, especially, will be eased, thereby fulfilling one of the main requests voiced at the hearings held by the parliamentary committee on personal income tax reduction in the fall of 1999.

— The changes made in March 2000 and March 2001 will maintain the current progressivity of the Québec tax system. More specifically, in 2002, there will be 160 000 fewer taxpayers on the tax rolls than there were prior to the 2000-2001 Budget.

— Thanks to the personal income tax reductions, the average difference in the tax burden in Québec and the other provinces will drop from $3.1 billion to $2 billion, a decrease of more than 36%.

— The tax cuts announced in March 2000 and deepened in the **2001-2002 Budget Speech** will strengthen the incentive to work by increasing the additional disposable income of taxpayers who intensify their work effort.

— Taxpayers will be fully protected against tax increases caused by inflation. For 2001, this protection is ensured by the tax cuts introduced. Beginning in January 2002, taxpayers will enjoy automatic protection thanks to the indexation of the tax table and other parameters of the tax system.

❑ *A step further*

With the **2001-2002 Budget Speech**, the government goes a step further in improving Québec's personal income tax system. All taxpayers will benefit from this improvement, made possible thanks to the economy's strong performance and our successful efforts to restore order to public finances.

GAINS FROM TAX CUTS BY FAMILY INCOME BRACKET – 2002

Family income bracket	Number of taxable households	Tax before Budgets[1]	Tax reduction 2001-2002 Budget			Total tax reduction[1]		
	(thousands)	(millions of $)	(millions of $)	($ per household)	(%)	(millions of $)	($ per household)	(%)
Less than $25 000	525	559	45	86	8	192	366	34
$25 000 to $50 000	887	3 197	277	312	9	880	992	28
$50 000 to $75 000	542	4 252	341	629	8	952	1 755	22
$75 000 and over	527	9 907	520	987	5	1 475	2 800	15
TOTAL	2 481	**17 916**	**1 183**	**477**	**7**	**3 499**	**1 410**	**20**

1. 2000-2001 Budget and 2001-2002 Budget.

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INTRODUCTION

The **2001-2002 Budget Speech** announces a new and substantial personal income tax reduction, over and above the deep tax cuts announced in March 2000 in the **2000-2001 Budget Speech**. The government thus confirms its firm intention of providing significant tax relief to all Quebecers and thereby improving the tax system applicable to households, insofar as the soundness of its public finances permits.

The new tax cuts introduced by the government are substantial, and will have a direct impact on taxpayers' disposable income. It is thus important that this impact be explained as clearly as possible, along with the ways and means of achieving it. The purpose of this document on **personal income tax reduction** is thus to provide citizens with all the information they need to correctly assess the changes to the personal income tax system and make the connection with the tax cuts announced in March 2000, and currently in effect.

This information was developed to respond to three questions raised by tax cuts of this nature.

— The first question deals with the scope of the tax reduction the government has chosen to introduce, and the ways and means of achieving it. The first part of this document thus provides an overview of the content of the **new personal income tax reduction plan** by explaining the *scope* of the tax cuts announced, *the changes made to the tax system* in order to achieve these cuts, and their *detailed financial impact*.

— The second question addresses the effective impact these tax cuts will have on taxpayers. The second part of the document thus presents an analysis of the **how households will gain from these tax cuts** by explaining their impacts *by income bracket and household* category, giving a number of *typical examples*, and calculating the measurable impact of these tax cuts *in terms of taxpayers' paycheques*.

— The third question concerns the **improvements to the personal income tax system** made possible by these new tax cuts. The personal income tax reduction plan initially announced in March 2000 was a direct response to the various expectations voiced during the parliamentary committee hearings held in October and November 1999.

The tax reduction announced in the **2001-2002 Budget Speech** thus pursues the efforts made in this direction, and the document on **personal income tax reduction** highlights the progress already made, in terms of *taxation* of the *middle class* and *families*, the *progressivity* of our tax system, its *competitiveness* in relation to other jurisdictions, its impact on the *incentive to work* and how it *protects* taxpayers against the *effects of inflation*.

1 A new tax reduction of $3.5 billion

1. A NEW TAX REDUCTION OF $3.5 BILLION

The first part of this document provides an overview of the new personal income tax reduction plan and the ways in which it will be implemented.

The scope of this plan will be outlined and the changes made to the personal income tax system under the **2001-2002 Budget Speech** described. Finally, the financial impact of these changes will be explained in detail.

1.1 The scope of the tax reduction plan

1.1.1 The amount of the new tax cuts

The **2001-2002 Budget Speech** provides for a new personal income tax reduction that will add up to **$3.5 billion** over the next three fiscal years.

More specifically, the government will decrease the amount of personal income tax Quebecers will have to pay by:

— $1.0 billion in 2001-2002;

— $1.2 billion in 2002-2003;

— $1.3 billion in 2003-2004.

TABLE 1

AMOUNT OF THE TAX REDUCTION
(billions of dollars)

	2001-2002	2002-2003	2003-2004	Total
New personal income tax reduction	**1.0**	**1.2**	**1.3**	**3.5**

1.1.2 An overall tax reduction of 20% in 2002

The tax cuts announced in the **2001-2002 Budget Speech** are over and above those announced in March 2000 as part of the 2000-2001 Budget. All told, in the space of four fiscal years, taxpayers will have paid **$11 billion** less in income tax, broken down as follows:

— a $7.5-billion tax cut, provided for in the 2000-2001 Budget;

— an additional tax reduction of $3.5 billion, announced in the 2001-2002 Budget.

Taxpayers will thus have benefited from the following cumulative tax cuts:

— $1.0 billion in 2000-2001;

— $2.7 billion in 2001-2002;

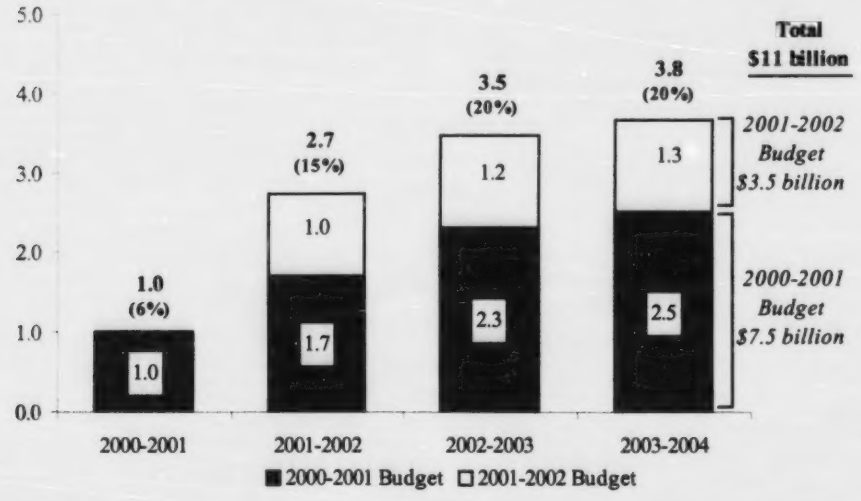
— $3.5 billion in 2002-2003;

— $3.8 billion in 2003-2004.

In fiscal year 2002-2003, the annual tax reduction will reach **$3.5 billion**, or a decrease of **20%** in the tax burden of individuals.

GRAPH 1

CUMULATIVE PERSONAL INCOME TAX REDUCTION FROM 2000-2001 TO 2003-2004
(billions of dollars)



In its last Budget, the government had announced a cumulative tax reduction of $4.5 billion over three fiscal years. In fact, due to economic growth, this reduction will amount to **$5.0 billion** for the same period. Taking into account the new tax cuts introduced with the 2001-2002 Budget, the actual tax reduction for the three fiscal years covered by last year's Budget totals **$7.2 billion**.

TABLE 2

CUMULATIVE PERSONAL INCOME TAX REDUCTION FROM 2000-2001 TO 2003-2004
(billions of dollars)

	2000-2001	2001-2002	2002-2003	Total over 3 years	2003-2004	Total over 4 years
2001-2002 Budget	—	***1.0***	***1.2***	***2.2***	***1.3***	***3.5***
2000-2001 Budget						
Announced tax cuts	1.0	1.5	2.0	4.5	2.2	6.7
Economic growth[1]	0.0	0.2	0.3	0.5	0.3	0.8
Subtotal	***1.0***	***1.7***	***2.3***	***5.0***	***2.5***	***7.5***
Total	**1.0**	**2.7**	**3.5**	**7.2**	**3.8**	**11.0**
Tax cuts as a percentage	*6*	*15*	*20*	—	*20*	—

1. Additional effective tax reduction announced in the 2000-2001 Budget and resulting from economic growth.

1.2 Changes to the tax system

The tax reduction accorded by the government stems from the following three changes made to the personal income tax system.

— New tax rates will be applied as of July 2001.

— The additional tax reduction for families will come into effect a year ahead of schedule, i.e. in January 2001 rather than January 2002, and apply retroactively.

— Automatic indexation will be moved forward to January 1, 2002.

1.2.1 New tax rates applicable as of July 2001

Beginning in July 2001, a new tax table will be applied that reduces the three tax rates under the current system.

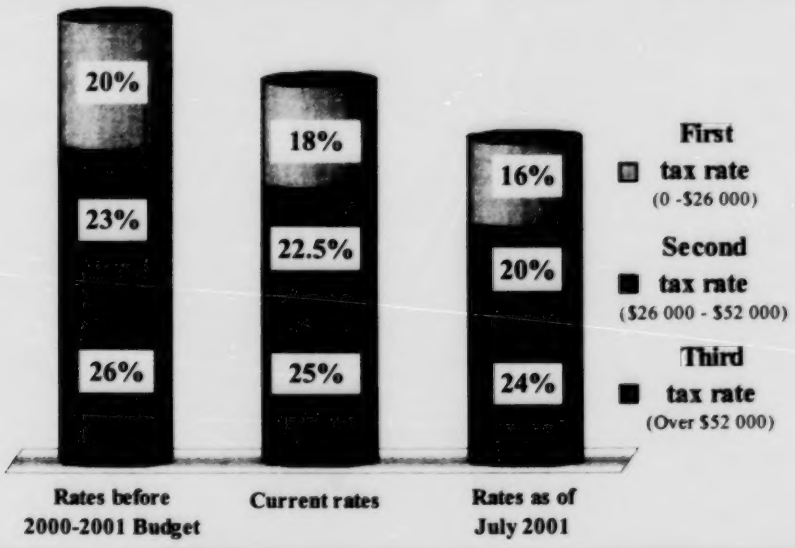
— The first tax rate will drop from 18% to 16%. Prior to the 2000-2001 Budget, this tax rate was 20%.

— The second tax rate will be reduced from 22.5% to 20%. The rate applicable prior to the last Budget was 23%.

— The third tax rate will go down from 25% to 24%. This rate was set at 26% before the tax cuts announced in March 2000.

GRAPH 2

TAX RATES BY TAXABLE INCOME BRACKET



Also in July 2001, the rate used to convert amounts to non-refundable tax credits will be set at **20%**, i.e. the average of the three tax rates.

Thus, in the space of two Budgets, a four-point reduction will have been granted for the first rate – the one that affects all taxpayers – a three-point reduction for the second rate, and a two-point reduction for the third rate.

ACCELERATION AND AMPLIFICATION OF THE TAX CUTS ANNOUNCED IN MARCH 2000

The new tax table comes into force beginning in July 2001, and will thus apply for the last six months of the taxation year. For tax calculation purposes, the rates applied for 2001 as a whole will be 17% for the first income bracket, 21.25% for the second income bracket and 24.5% for the third income bracket.

As concerns the tax cuts announced in March 2000, the application of a new tax table as of July 2001 means that taxpayers will benefit from their impacts **sooner than announced in the last Budget**, and that these impacts will be **amplified**.

— The government had promised to reduce the three tax rates to 18%, 22.5% and 25% in 2001. In actual fact, for the year 2001 as a whole, these rates will be 17%, 21.25% and 24.5%.

— In 2002, the tax rates will be set at 16%, 20% and 24%, down from 17%, 22% and 24%.

COMPARISON OF THE TAX RATES ANNOUNCED IN MARCH 2000 WITH THE NEW TAX TABLE
(as a percentage)

	2001			2002
	January to June	July to December	Year	
2001-2002 Budget				
Taxable income brackets				
0 to $26 000	18	16	**17**	**16**
$26 000 to $52 000	22.5	20	**21.25**	**20**
$52 000 or over	25	24	**24.5**	**24**
Rate used to convert amounts to non-refundable tax credits	21.5	20	**20.75**	**20**
2000-2001 Budget				
Taxable income brackets				
0 to $26 000	—	—	**18**	**17**
$26 000 to $52 000	—	—	**22.5**	**22**
$52 000 or over	—	—	**25**	**24**
Rate used to convert amounts to non-refundable tax credits	—	—	**21.5**	**21**

1.2.2 Acceleration of the additional tax reduction for families to January 1, 2001

Currently, thanks to the *tax reduction for families*, couples with children are entitled to tax relief of up to $1 500, while single-parent families can enjoy tax savings of up to $1 195. In both cases, the amount of this relief is lower for families with an income above $26 000.

In March 2000, the government announced in its **2000-2001 Budget Speech** an additional tax reduction for families, which was originally scheduled to take full effect as of January 2002.

— For families already claiming it and earning more than $26 000, the *tax reduction for families* was increased.

— This reduction became accessible to families earning more, applying to combined family incomes of up to $76 000 instead of $51 000 for couples with children and up to $65 834 instead of $45 917 for single-parent families.

To date, the amount of the tax reduction was decreased by **4%** of the family income exceeding $26 000. This rate is reduced to **3%** for the 2001 taxation year and thus applies **retroactively** as of January 1, 2001, i.e. **one year earlier** than originally announced.

All told, the changes announced in March 2000 and March 2001 will have benefited **400 000 families** as of January 1, 2001. The full impact of the accelerated measures in favour of families will reach **$65 million**.

TABLE 3

***TAX REDUCTION FOR FAMILIES*[1] – IMPACT OF THE ACCELERATION IN 2001**
(in dollars)

Employment income	Couple with two children and two incomes			Single-parent family with one child		
	2000-01 Budget	2001-02 Budget	Impact of the acceleration	2000-01 Budget	2001-02 Budget	Impact of the acceleration
20 000	n.a.	n.a.	n.a.	703[2]	703[2]	0
25 000	n.a.	n.a.	n.a.	1 195[2]	1 195[2]	0
30 000	659[2]	659[2]	0	1 035	1 075	40
35 000	1 140	1 230	90	835	925	90
40 000	940	1 080	140	635	775	140
45 000	740	930	190	435	625	190
50 000	540	780	240	235	475	240
55 000	340	630	290	35	325	290
60 000	140	480	340	0	175	175
65 000	0	330	330	0	25	25
70 000	0	180	180	0	0	0
75 000	0	30	30	0	0	0

Note: "n.a." means not applicable. These families pay no income tax.

1. For a couple with children, the tax reduction for families is calculated as follows for 2001:
   - 2000-2001 Budget: $1 500 - 4% x (family income – $26 000);
   - 2001-2002 Budget: $1 500 - 3% x (family income – $26 000).
2. The tax reduction is unchanged because it corresponds either to the maximum amount or the amount required to reduce taxes to zero.

1.2.3 Automatic indexation of the tax system moved forward to January 1, 2002

Beginning in January 2002, the personal income tax system will be **automatically indexed**. This indexation will affect the three taxable income brackets defined in the tax table, as well as most of the tax credits and other parameters of the system.

For example, given a projected indexing factor of **1.8%** for 2002, the upper threshold of the first taxable income bracket will increase from **$26 000** to **$26 470**, while the upper threshold of the second income bracket will rise from **$52 000** to **$52 935**.[1]

This means that the new tax table shown above will apply to income brackets whose thresholds have been raised, thus affording a greater personal income tax reduction as of 2002.

TABLE 4

MAIN TAX PARAMETERS SUBJECT TO INDEXATION IN 2002[1]
(in dollars)

	Current	2002
Tax table		
Upper threshold of the first income bracket	26 000	26 470
Upper threshold of the second income bracket	52 000	52 935
Essential amounts		
Basic amount	5 900	6 005
Amount respecting a spouse	5 900	6 005
Amount respecting dependent children		
- 1st child	2 600	2 645
- each additional child	2 400	2 445
- amount for a single-parent family	1 300	1 325
Reduction threshold for certain tax credits[2]	26 000	26 470

1. The indexing factor applied to the 2002 taxation year will be equal to the percentage change in the average Québec consumer price index (QCPI) for the 12-month period ending September 30, 2001, compared to the average QCPI for the 12-month period ended September 30, 2000. Based on the anticipated inflation rate, the projected indexing factor for 2002 is 1.8%.
2. Tax credit for persons living alone, with respect to age and for retirement income, tax reduction for families, QST credit, tax credit for residents of a northern village and real estate tax refund.

1 All indexed parameters are presented in Appendix 1.

1.3 Breakdown of the financial impact of the tax reductions

❑ *Acceleration and amplification of the tax cuts announced in March 2000*

The tax cuts announced in March 2000 and scheduled to take effect in 2002 have been accelerated and amplified by the new reduction plan.

TABLE 5

IMPACT OF THE ACCELERATED, AMPLIFIED TAX CUTS ANNOUNCED IN THE 2001-2002 BUDGET

(millions of dollars)

	2000-2001	2001-2002	2002-2003
2000-2001 Budget	***1 035***	***1 650***	***2 330***
2001-2002 Budget			
Accelerated tax reduction[1]	—	340	15
Amplified tax reduction	—	660	1 025
Indexation moved forward to 2002	—	35	155
Subtotal	—	***1 035***	***1 195***
TOTAL	**1 035**	**2 685**	**3 525**

1. Corresponds to the impact of the acceleration, from January 2002 to July 2001, of the tax cuts announced in the 2000-2001 Budget.

❒ *Impact of the changes to the tax system*

Table 6 shows the impact of the changes made by the government since March 2000 to the tax system.[2]

TABLE 6

FINANCIAL IMPACT OF THE CHANGES TO THE TAX SYSTEM
(millions of dollars)

	2000-01	2001-02	2002-03	2003-04	TOTAL
IMPACT OF 2001-2002 BUDGET					
Reduction of tax rates in July 2001					
Reduction in 1st rate from 18% to 16%[1]	—	470	395	425	1 290
Reduction in 2nd rate from 22.5% to 20%	—	420	630	655	1 705
Reduction in 3rd rate from 25% to 24%	—	60	0	0	60
Acceleration of the additional tax reduction for families	—	50	15	0	65
Subtotal	—	***1 000***	***1 040***	***1 080***	***3 120***
Automatic indexation moved forward to January 2002[2]	—	35	155	175	365
TOTAL - 2001-2002 BUDGET	—	**1 035**	**1 195**	**1 255**	***3 485***
CUMULATIVE IMPACT OF THE 2000-2001 AND 2001-2002 BUDGETS					
Reduction of tax rates					
Reduction in 1st rate from 20% to 16%[1]	525	1 470	1 780	1 820	5 595
Reduction in 2nd rate from 23% to 20%	210	635	925	960	2 730
Reduction in 3rd rate from 26% to 24%	150	265	345	355	1 115
Increase in income thresholds at which tax rates begin to apply					
Increase in 1st income bracket from $25 000 to $26 000	55	60	65	65	245
Increase in 2nd income bracket from $50 000 to $52 000	30	35	40	40	145
Additional tax reduction for families	65	185	175	175	600
Subtotal	***1 035***	***2 650***	***3 330***	***3 415***	***10 430***
Automatic indexation as of 2002[2]	0	35	195	375	605
CUMULATIVE TOTAL	**1 035**	**2 685**	**3 525**	**3 790**	**11 035**

1. Includes the impact of the change to the rate used to convert amounts to non-refundable tax credits.
2. Based on an indexing factor of 1.8% for 2002 and 1.7% on average for subsequent years.

2 See Appendix 2 for an overview of the tax relief granted to individuals since March 2000, including the impact of the other tax measures introduced in this Budget.

2 *How households will gain*

2. HOW HOUSEHOLDS WILL GAIN

All taxpayers will benefit from the new tax reduction announced by the government. However, the impact of this reduction will vary according to the income bracket and category into which each household falls.

All the information required to assess the effective impacts of these tax cuts on the households concerned is presented below. This information has been organized as follows.

— First, the various tables show the financial gains for households by income bracket and category.

— Second, examples are presented in order to provide a clearer idea of the financial impact these tax cuts will have on the most frequently common types of households.

— Third, the concrete impacts of the new tax reduction on taxpayers' paycheques have been evaluated.

2.1 Financial gains by income bracket and household category

The changes made to the personal income tax system will reduce the tax burden **of all taxpayers**.

— The additional tax relief announced for 2002 will mean an average tax cut of **7%** per household, or the equivalent of **$477**.

— This relief is over and above the tax breaks announced in March 2000. In total, the reductions introduced by the government mean that households will benefit, in 2002, from an average tax cut of **20%**, or the equivalent of **$1 410**.

❑ *Gains for households by income bracket*

Like the one announced in March 2000, this new tax reduction will especially benefit the **middle class** and **less affluent taxpayers**.

— In 2002, households with an income of less than $75 000 will see their taxes fall by **8%** or **9%**, depending on the income bracket in question, whereas taxes will drop **5%** for households with an income above $75 000.

— For 2002, taking into account the reductions announced in March 2000, taxes will be cut by **34%** for households with an income below $25 000, and by **28%** for earnings of between $25 000 and $50 000.

In comparison, households with an income of between $50 000 and $75 000 will pay **22%** less income tax, while those earning more than $75 000 will pay **15%** less income tax.

TABLE 7

GAINS FROM TAX CUTS BY FAMILY INCOME BRACKET – 2002

Family income bracket	Number of taxable households	Tax before Budgets[1]	Tax reduction 2001-2002 Budget			Total tax reduction[1]		
	(thousands)	(millions of $)	(millions of $)	($ per household)	(%)	(millions of $)	($ per household)	(%)
Less than $25 000	525	559	45	86	8	192	366	34
$25 000 to $50 000	887	3 197	277	312	9	880	992	28
$50 000 to $75 000	542	4 252	341	629	8	952	1 755	22
$75 000 and over	527	9 907	520	987	5	1 475	2 800	15
TOTAL	**2 481**	**17 916**	**1 183**	**477**	**7**	**3 499**	**1 410**	**20**

1. 2000-2001 Budget and 2001-2002 Budget.

☐ *Gains for households by category*

The new tax reduction will be significant for all household categories.

— In 2002, for all income brackets, the **new tax reduction** will ensure that all household categories benefit from an equivalent tax break, in the range of **6%** or **7%** depending on the category in question.

— **The two reductions** announced in March 2000 and March 2001 will ease the tax burden of households, in 2002, by **21%** for families with children, **18%** for couples with no children and **20%** for elderly persons and single persons.

TABLE 8

GAINS FROM TAX CUTS BY HOUSEHOLD CATEGORY – 2002

Household category	Number of taxable households	Tax before Budgets[1]	Tax reduction 2001-2002 Budget			Total tax reduction[1]		
	(thousands)	(millions of $)	(millions of $)	($ per household)	(%)	(millions of $)	($ per household)	(%)
Families with children	705	6 936	466	661	7	1 426	2 023	21
Couples without children	548	5 426	342	625	6	967	1 765	18
Elderly persons[2]	349	1 859	123	352	7	372	1 066	20
Single persons	880	3 695	252	286	7	734	835	20
TOTAL	**2 481**	**17 916**	**1 183**	**477**	**7**	**3 499**	**1 410**	**20**

1. 2000-2001 Budget and 2001-2002 Budget.
2. Households with at least one person aged 65 or over.

If we focus on the various income brackets within each household category, it becomes clear that the new tax reduction is particularly beneficial for **families with children** belonging to the **less affluent classes** and the **middle class**.

— For 2002, the new tax reduction will result in a decrease in the tax burden of **11%** for families with children and an income of less than $50 000, **9%** for families earning between $50 000 and $75 000, and **8%** for other households with an income below $75 000.

— Also for 2002, the tax cuts ensuing from the measures announced in March 2000 and March 2001 will amount to **83%** for families with children and an income of less than $25 000, **45%** for families earning between $25 000 and $50 000, and **28%** for families earning between $50 000 and $75 000. The corresponding tax relief for other households will add up to **34%**, **24%** and **19%** respectively.

TABLE 9

GAINS FROM TAX CUTS FOR FAMILIES WITH CHILDREN AND OTHER HOUSEHOLDS – 2002

Family income bracket	Number of taxable households	Tax before Budgets[1]	Tax reduction 2001-2002 Budget		Total tax reduction[1]	
	(thousands)	(millions of $)	(millions of $)	(%)	(millions of $)	(%)
Families with children						
Less than $25 000	8	3	0.4	11	3	83
$25 000 to $50 000	209	552	63	11	251	45
$50 000 to $75 000	224	1 588	137	9	439	28
$75 000 and over	264	4 793	264	6	733	15
Subtotal	***705***	***6 936***	***466***	***7***	***1 426***	***21***
Other households						
Less than $25 000	517	556	45	8	189	34
$25 000 to $50 000	678	2 646	214	8	629	24
$50 000 to $75 000	318	2 664	204	8	512	19
$75 000 and over	263	5 115	255	5	742	15
Subtotal	***1 777***	***10 979***	***718***	***7***	***2 073***	***19***
Total	**2 481**	**17 916**	**1 183**	**7**	**3 499**	**20**

1. 2000-2001 Budget and 2001-2002 Budget.

2.2 Financial gains for certain typical households

To illustrate the impact of the tax relief granted to individuals on households, some of the most common situations in Québec society were analyzed. For this purpose, a certain number of typical households were identified, and the corresponding tax reduction calculated in precise terms.

As above, this was carried out by distinguishing the impact of the new personal income tax reduction plan from the cumulative effects of the two tax cuts announced since March 2000. This calculation was performed for both the 2001 and 2002 taxation years.

❑ *The types of households analyzed*

The examples below are representative of the most common types of households in Québec society. For each of the eight household types identified, the personal income tax reduction was calculated for various income levels.[3]

The following eight household types were analyzed:

Families with children

— A couple with two children and two employment incomes.

— A couple with two children and one employment income.

— A single-parent family with one child.

Couples with no children

— A couple with two employment incomes.

— A couple with one employment income.

Elderly persons

— A couple aged 65 or over.

— A person aged 65 or over who lives alone.

Persons under 65 years of age who live alone

3 See Appendix 3 for a breakdown of the overall tax reduction for 2002 as provided for in the 2000-2001 and 2001-2002 Budgets, for certain typical households.

TAX CUT 2002 Total income: $50 000	
Tax before Budgets	$5 019
Tax cuts:	
2000-2001 Budget	$1 729
2001-2002 Budget	$412
Total cut	***$2 141***
Tax after Budgets	$2 878
Tax cut of 43%	

❒ *Families with children: a couple with two children and two employment incomes*

In 2001, the cumulative tax reduction for a couple with two children and two employment incomes will be:

— $824 (85%) for an income of $35 000;

— $1 704 (34%) for an income of $50 000;

— $2 004 (12%) for an income of $100 000.

In 2002, the cumulative tax reduction for the same family will be:

— $969 (100%) for an income of $35 000;

— $2 141 (43%) for an income of $50 000;

— $3 034 (18%) for an income of $100 000.

TABLE 10

TAX REDUCTION FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
30 000	—	—	—	—	—	—	—	—
35 000	549	275	824	*85*	879	90	969	*100*
40 000	749	375	1 124	*50*	1 179	254	1 433	*63*
45 000	964	477	1 441	*40*	1 489	332	1 821	*50*
50 000	1 119	585	1 704	*34*	1 729	412	2 141	*43*
55 000	1 034	692	1 726	*28*	1 729	492	2 221	*36*
60 000	889	800	1 689	*23*	1 669	572	2 241	*31*
65 000	834	847	1 681	*20*	1 639	652	2 291	*27*
70 000	859	760	1 619	*17*	1 539	771	2 310	*24*
75 000	884	672	1 556	*15*	1 439	871	2 310	*22*
100 000	1 109	895	2 004	*12*	1 799	1 235	3 034	*18*
125 000	1 309	1 095	2 404	*10*	2 199	1 435	3 634	*16*

Notes: 1. It is assumed that one spouse earns 60% of the household employment income and the other, 40%.

2. See page 32 for a breakdown of the calculations performed.

TAX CUT 2002 Total income: $45 000	
Tax before Budgets	$4 169
Tax cuts:	
2000-2001 Budget	$1 129
2001-2002 Budget	$512
Total cut	***$1 641***
Tax after Budgets	$2 528
Tax cut of 39%	

- ***Families with children: a couple with two children and one employment income***

In 2001, the cumulative tax reduction for a couple with two children and one employment income will be:

— $741 (58%) for an income of $35 000;

— $1 454 (26%) for an income of $50 000;

— $1 204 (10%) for an income of $75 000.

In 2002, the cumulative tax reduction for the same family will be:

— $1 041 (82%) for an income of $35 000;

— $1 941 (35%) for an income of $50 000;

— $1 869 (15%) for an income of $75 000.

TABLE 11

TAX REDUCTION FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
30 000	—	—	—	—	—	—	—	—
35 000	444	297	741	*58*	729	312	1 041	*82*
40 000	569	410	979	*36*	929	412	1 341	*49*
45 000	694	522	1 216	*29*	1 129	512	1 641	*39*
50 000	819	635	1 454	*26*	1 329	612	1 941	*35*
55 000	779	725	1 504	*22*	1 379	690	2 069	*30*
60 000	629	800	1 429	*17*	1 329	690	2 019	*24*
65 000	539	815	1 354	*14*	1 279	690	1 969	*21*
70 000	589	690	1 279	*12*	1 229	690	1 919	*18*
75 000	639	565	1 204	*10*	1 179	690	1 869	*15*
100 000	889	660	1 549	*8*	1 649	676	2 325	*12*
125 000	1 139	785	1 924	*8*	2 149	676	2 825	*11*

TAX CUT 2002 Total income: $30 000	
Tax before Budgets	$2 234
Tax cuts:	
2000-2001 Budget	$713
2001-2002 Budget	$297
Total cut	***$1 010***
Tax after Budgets	$1 224
Tax cut of 45%	

- ***Families with children: a single-parent family with one child***

In 2001, the cumulative tax reduction for a single-parent family with one child will be:

— $447 (63%) for an income of $25 000;

— $1 425 (18%) for an income of $50 000;

— $1 390 (10%) for an income of $75 000.

In 2002, the cumulative tax reduction for the same family will be:

— $635 (90%) for an income of $25 000;

— $1 960 (25%) for an income of $50 000;

— $2 088 (15%) for an income of $75 000.

TABLE 12

TAX REDUCTION FOR A SINGLE-PARENT FAMILY WITH ONE CHILD

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
20 000	—	—	—	—	—	—	—	—
25 000	298	149	447	*63*	481	154	635	*90*
30 000	457	253	710	*32*	713	297	1 010	*45*
35 000	589	369	958	*25*	922	384	1 305	*34*
40 000	714	482	1 195	*23*	1 122	484	1 605	*31*
45 000	839	594	1 433	*21*	1 322	584	1 905	*28*
50 000	719	707	1 425	*18*	1 277	684	1 960	*25*
55 000	619	797	1 415	*15*	1 267	761	2 028	*22*
60 000	634	707	1 340	*13*	1 217	761	1 978	*19*
65 000	684	582	1 265	*11*	1 167	761	1 928	*16*
70 000	734	582	1 315	*10*	1 242	747	1 988	*15*
75 000	784	607	1 390	*10*	1 342	747	2 088	*15*
100 000	1 034	732	1 765	*8*	1 842	747	2 588	*12*
125 000	1 284	857	2 140	*8*	2 342	747	3 088	*11*

TAX CUT 2002 **Total income: $65 000**	
Tax before Budgets	$9 529
Tax cuts:	
2000-2001 Budget	$1 409
2001-2002 Budget	$670
Total cut	***$2 079***
Tax after Budgets	$7 450
Tax cut of 22%	

❒ *Couples with no children: a couple with no children and two employment incomes*

In 2001, the cumulative tax reduction for a couple with no children and two employment incomes will be:

— $366 (34%) for an income of $25 000;

— $1 096 (18%) for an income of $50 000;

— $2 116 (12%) for an income of $100 000.

In 2002, the cumulative tax reduction for the same household will be:

— $531 (49%) for an income of $25 000;

— $1 539 (25%) for an income of $50 000;

— $3 166 (18%) for an income of $100 000.

TABLE 13

TAX REDUCTION FOR A COUPLE WITH NO CHILDREN AND TWO EMPLOYMENT INCOMES

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
15 000	—	—	—	—	—	—	—	—
20 000	79	0	79	*100*	79	0	79	*100*
25 000	244	122	366	*34*	409	122	531	*49*
30 000	344	172	516	*25*	559	172	731	*35*
35 000	444	222	666	*22*	709	222	931	*30*
40 000	544	272	816	*20*	859	272	1 131	*28*
45 000	659	325	984	*19*	1 019	350	1 369	*27*
50 000	714	382	1 096	*18*	1 109	430	1 539	*25*
55 000	769	440	1 209	*17*	1 199	510	1 709	*23*
60 000	824	497	1 321	*16*	1 289	590	1 879	*22*
65 000	909	555	1 464	*15*	1 409	670	2 079	*22*
70 000	934	617	1 551	*15*	1 459	789	2 248	*21*
75 000	959	680	1 639	*14*	1 509	889	2 398	*20*
100 000	1 184	932	2 116	*12*	1 899	1 267	3 166	*18*
125 000	1 384	1 132	2 516	*10*	2 299	1 467	3 766	*16*

Note: It is assumed that one spouse earns 60% of the household employment income and the other, 40%.

TAX CUT 2002 Total income: $40 000	
Tax before Budgets	$4 529
Tax cuts:	
2000-2001 Budget	$609
2001-2002 Budget	$430
Total cut	***$1 039***
Tax after Budgets	$3 490
Tax cut of 23%	

❒ ***Couples with no children: a couple with no children and one employment income***

In 2001, the cumulative tax reduction for a couple with no children and one employment income will be:

— $366 (34%) for an income of $25 000;

— $846 (12%) for an income of $50 000;

— $1 286 (10%) for an income of $75 000.

In 2002, the cumulative tax reduction for the same household will be:

— $531 (49%) for an income of $25 000;

— $1 339 (20%) for an income of $50 000;

— $1 957 (15%) for an income of $75 000.

TABLE 14

TAX REDUCTION FOR A COUPLE WITH NO CHILDREN AND ONE EMPLOYMENT INCOME

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
15 000	—	—	—	—	—	—	—	—
20 000	79	0	79	*100*	79	0	79	*100*
25 000	244	122	366	*34*	409	122	531	*49*
30 000	314	182	496	*22*	509	230	739	*33*
35 000	339	245	584	*17*	559	330	889	*26*
40 000	364	307	671	*15*	609	430	1 039	*23*
45 000	389	370	759	*13*	659	530	1 189	*21*
50 000	414	432	846	*12*	709	630	1 339	*20*
55 000	514	472	986	*12*	849	708	1 557	*19*
60 000	564	497	1 061	*11*	949	708	1 657	*18*
65 000	614	522	1 136	*11*	1 049	708	1 757	*16*
70 000	664	547	1 211	*10*	1 149	708	1 857	*15*
75 000	714	572	1 286	*10*	1 249	708	1 957	*15*
100 000	964	697	1 661	*8*	1 749	708	2 457	*12*
125 000	1 214	822	2 036	*8*	2 249	708	2 957	*11*

TAX CUT 2002 Total income: $35 000	
Tax before Budgets	$2 295
Tax cuts:	
2000-2001 Budget	$580
2001-2002 Budget	$253
Total cut	***$833***
Tax after Budgets	$1 462
Tax cut of 36%	

❒ *Elderly persons: a couple aged 65 or over*

In 2001, the cumulative tax reduction for a couple aged 65 or over will be:

— $408 (42%) for an income of $30 000;

— $869 (14%) for an income of $50 000;

— $1 363 (11%) for an income of $75 000.

In 2002, the cumulative tax reduction for the same household will be:

— $601 (62%) for an income of $30 000;

— $1 350 (22%) for an income of $50 000;

— $2 058 (17%) for an income of $75 000.

TABLE 15

TAX REDUCTION FOR A COUPLE AGED 65 OR OVER

	2001				2002			
Total income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
25 000	—	—	—	—	—	—	—	—
30 000	272	136	408	*42*	463	138	601	*62*
35 000	355	202	556	*24*	580	253	833	*36*
40 000	391	270	661	*18*	645	361	1 005	*28*
45 000	427	338	765	*15*	710	468	1 178	*24*
50 000	463	406	869	*14*	775	576	1 350	*22*
55 000	500	474	974	*13*	840	683	1 523	*20*
60 000	611	520	1 131	*12*	994	770	1 763	*19*
65 000	665	548	1 212	*12*	1 100	759	1 858	*18*
75 000	765	598	1 363	*11*	1 300	759	2 058	*17*
100 000	1 015	723	1 738	*9*	1 800	759	2 558	*13*
125 000	1 265	848	2 113	*8*	2 300	759	3 058	*12*

Note: Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

TAX CUT 2002 **Total income: $25 000**	
Tax before Budgets	$2 062
Tax cuts:	
2000-2001 Budget	$495
2001-2002 Budget	$147
Total cut:	***$642***
Tax after Budgets	$1 420
Tax cut of 31%	

- ***Elderly persons: a person aged 65 or over who lives alone***

In 2001, the cumulative tax reduction for a person aged 65 or over who lives alone will be:

— $313 (29%) for an income of $20 000;

— $1 024 (12%) for an income of $50 000;

— $1 478 (10%) for an income of $75 000.

In 2002, the cumulative tax reduction for the same person will be:

— $442 (42%) for an income of $20 000;

— $1 573 (18%) for an income of $50 000;

— $2 191 (14%) for an income of $75 000.

TABLE 16

TAX REDUCTION FOR A PERSON AGED 65 OR OVER WHO LIVES ALONE

	2001				2002			
Total income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
15 000	—	—	—	—	—	—	—	—
20 000	208	104	313	*29*	345	97	442	*42*
25 000	308	154	463	*22*	495	147	642	*31*
30 000	387	219	606	*18*	607	276	883	*26*
35 000	424	287	710	*15*	672	384	1 055	*23*
40 000	460	355	815	*14*	737	491	1 228	*20*
45 000	496	423	919	*13*	802	599	1 400	*19*
50 000	532	491	1 024	*12*	867	706	1 573	*18*
55 000	642	536	1 178	*12*	1 020	772	1 791	*18*
60 000	692	561	1 253	*11*	1 119	772	1 891	*17*
65 000	742	586	1 328	*10*	1 220	772	1 991	*16*
70 000	792	611	1 403	*10*	1 319	772	2 091	*15*
75 000	842	636	1 478	*10*	1 419	772	2 191	*14*
100 000	1 092	761	1 853	*9*	1 920	772	2 691	*12*
125 000	1 342	886	2 228	*8*	2 420	772	3 191	*11*

Note: Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

TAX CUT 2002 **Total income: $30 000**	
Tax before Budgets	$4 086
Tax cuts:	
2000-2001 Budget	$671
2001-2002 Budget	$308
Total cut	***$979***
Tax after Budgets	$3 107
Tax cut of 24%	

❒ *Persons under 65 years of age who live alone*

In 2001, the cumulative tax reduction for a person under 65 years of age who lives alone will be:

— $385 (21%) for an income of $20 000;

— $1 038 (12%) for an income of $50 000;

— $1 853 (9%) for an income of $100 000.

In 2002, the cumulative tax reduction for the same person will be:

— $538 (30%) for an income of $20 000;

— $1 574 (18%) for an income of $50 000;

— $2 691 (12%) for an income of $100 000.

TABLE 17

TAX REDUCTION FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE

	2001				2002			
Employment income	**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**		**2000-01 Budget**	**2001-02 Budget**	**Total tax reduction**	
$	**$**	**$**	**$**	**%**	**$**	**$**	**$**	**%**
10 000	—	—	—	—	—	—	—	—
15 000	156	78	235	*29*	259	79	338	*42*
20 000	256	128	385	*21*	409	129	538	*30*
25 000	356	178	535	*19*	559	179	738	*26*
30 000	435	243	678	*17*	671	308	979	*24*
35 000	467	309	776	*15*	730	395	1 124	*21*
40 000	492	371	863	*13*	780	495	1 274	*20*
45 000	517	434	951	*12*	830	595	1 424	*19*
50 000	542	496	1 038	*12*	880	695	1 574	*18*
55 000	642	536	1 178	*12*	1 020	772	1 791	*18*
60 000	692	561	1 253	*11*	1 120	772	1 891	*17*
65 000	742	586	1 328	*10*	1 220	772	1 991	*16*
70 000	792	611	1 403	*10*	1 320	772	2 091	*15*
75 000	842	636	1 478	*10*	1 420	772	2 191	*14*
100 000	1 092	761	1 853	*9*	1 920	772	2 691	*12*
125 000	1 342	886	2 228	*8*	2 420	772	3 191	*11*

Note: See page 32 for a breakdown of the calculations performed.

EVALUATION OF THE GAINS FOR CERTAIN TYPICAL HOUSEHOLDS: HOW THEY WERE CALCULATED

The table below shows how the financial gains for two typical households following the tax reductions granted in March 2000 and March 2001 were calculated. It explains how the impact of the tax reduction measures was attributed to each Budget, while taking into account the acceleration of the tax reductions announced in March 2001. The same method was used for each type of household analyzed.

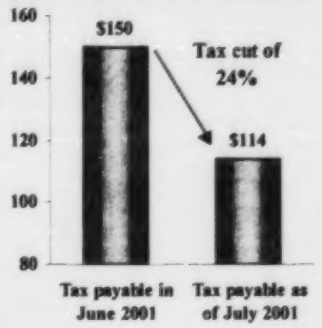
IMPACT OF THE TAX REDUCTIONS ANNOUNCED IN THE 2000-2001 BUDGET AND THE 2001-2002 BUDGET FOR CERTAIN TYPICAL HOUSEHOLDS
(in dollars)

	2001					2002				
		2001-2002 Budget					2001-2002 Budget			
Employment income	2000-2001 Budget	Accelerated tax reduction[1]	Amplified tax reduction	Sub-total	Total tax reduction	2000-2001 Budget	Amplified tax reduction	Indexation as of 2002	Sub-total	Total tax reduction
Couple, two children, two employment incomes										
35 000	549	230	45	275	824	879	90	0[2]	90	969
50 000	1 119	425	160	585	1 704	1 729	320	93	412	2 141
75 000	884	292	380	672	1 556	1 439	760	112	871	2 310
100 000	1 109	345	550	895	2 004	1 799	1 100	135	1 235	3 034
Person under 65 years of age who lives alone										
25 000	356	101	77	178	535	559	154	25	179	738
50 000	542	169	327	496	1 038	880	655	40	695	1 574
75 000	842	289	347	636	1 478	1 420	695	77	772	2 191
100 000	1 092	414	347	761	1 853	1 920	695	77	772	2 691

1. Corresponds to the impact of the acceleration, from January 2002 to July 2001, of the tax cuts announced in the 2000-2001 Budget.
2. This household no longer pays Québec personal income tax.

2.3 Impact of the tax reduction on paycheques

INCOME TAX ON PAYCHEQUES
Couple with two children and two incomes
Total income: $50 000



The tax reduction measures announced in the **2001-2002 Budget Speech** will come into force in July 2001, and taxpayers will see an increase in their paycheques as a result.

For **families**, the impact of this tax relief on their paycheques beginning July 1, 2001, will be particularly significant.

For example, for a two-week pay period, a two-earner couple with two children will pay fewer taxes in the amount of:

— **$16 (100%)** for an income of $35 000;

— **$36 (24%)** for an income of $50 000;

— **$69 (11%)** for an income of $100 000.

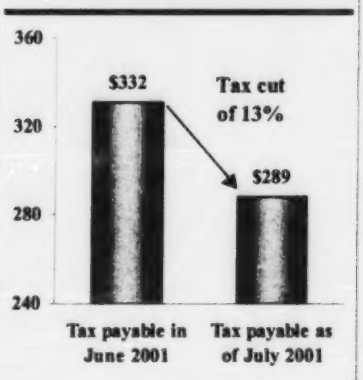
TABLE 18

TAX REDUCTION AS AT JULY 1, 2001 FOR A TWO-WEEK PAY PERIOD – FAMILIES
(as compared to the current situation)

Annual employment income	Couple, two children, two incomes		Couple, two children, one income		Single-parent family, one child	
$	$	%	$	%	$	%
15 000	—	—	—	—	—	—
20 000	—	—	—	—	—	—
25 000	—	—	—	—	11	73
30 000	—	—	—	—	18	26
35 000	16	100	19	61	25	20
40 000	23	40	26	32	32	18
45 000	29	29	33	25	38	17
50 000	36	24	40	21	45	16
55 000	42	21	45	19	50	15
60 000	48	20	48	16	48	13
65 000	52	18	50	14	44	10
70 000	52	15	46	12	45	9
75 000	51	13	42	10	47	9
100 000	69	11	51	7	56	7
125 000	84	10	60	7	66	7

Notes: 1. "—" means that the household pays no income tax.
2. Figures are rounded off to the nearest dollar.

INCOME TAX ON PAYCHEQUES
Couple with no children and two incomes
Total income: $65 000



For **other households**, the tax savings on their paycheques as of July 1, 2001, will also be considerable.

For example, for a two-week pay period, a two-earner couple with no children will pay fewer taxes in the amount of:

— **$13 (20%)** for an income of $30 000;

— **$29 (14%)** for an income of $50 000;

— **$72 (11%)** for an income of $100 000.

TABLE 19

TAX REDUCTION AS AT JULY 1, 2001 FOR A TWO-WEEK PAY PERIOD – OTHER HOUSEHOLDS
(as compared to the current situation)

Annual employment income	Couple, no children, two incomes		Couple, no children, one income		Person who lives alone	
$	$	%	$	%	$	%
15 000	—	—	—	—	6	24
20 000	—	—	—	—	10	17
25 000	9	29	9	29	14	15
30 000	13	20	14	19	19	13
35 000	17	17	19	16	24	13
40 000	21	15	24	15	29	12
45 000	25	14	28	14	33	12
50 000	29	14	33	13	38	12
55 000	34	13	36	12	41	11
60 000	38	13	38	11	43	10
65 000	43	13	40	10	45	10
70 000	47	13	42	10	47	9
75 000	52	13	44	9	49	9
100 000	72	11	54	7	59	7
125 000	87	10	63	7	68	7

Notes: 1. "—" means that the household pays no income tax.
2. Figures are rounded off to the nearest dollar.

3 *An improved personal income tax system*

3. AN IMPROVED PERSONAL INCOME TAX SYSTEM

The reduction of personal income tax announced in the **2001-2002 Budget Speech** will result in several vital improvements to the tax system, thereby expanding on the measures announced in March 2000.

At the hearings held by the parliamentary committee on personal income tax reduction in the fall of 1999, participants clearly identified the changes that needed to be made to the personal income tax system. The new tax reduction accorded by the government thus heralds considerable progress in this regard.

The purpose of this section is to provide an overview of these improvements by analyzing the changes made to the personal income tax system since March 2000 based on the five recommendations formulated at the parliamentary hearings. These recommendations are as follows:

— reduce the tax burden of the middle class and families;

— maintain the progressivity of the tax system;

— ensure that the tax system remains competitive in relation to other jurisdictions;

— ensure that the tax system strengthens the incentive to work;

— protect taxpayers against inflation.

3.1 More tax relief for the middle class and families

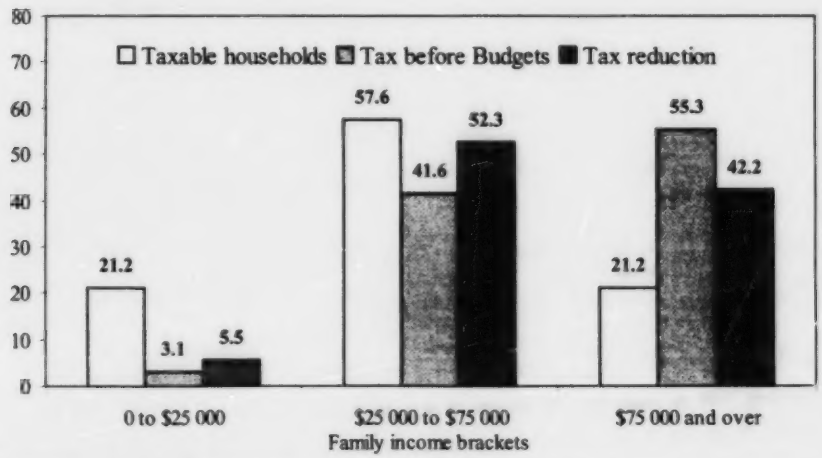
The tax cuts introduced in March 2000 and the new reduction plan announced in the **2001-2002 Budget Speech** will be particularly beneficial for middle-class households and families, thereby fulfilling one of the main requests voiced at the hearings held by the parliamentary committee on personal income tax reduction in the fall of 1999.

— In 2002, households belonging to the **middle class** – i.e. households with a combined family income of between $25 000 and $75 000 – will benefit from **52.3%** of the total tax cuts, whereas they shouldered **41.6%** of the personal income tax burden prior to the 2000-2001 Budget.

In comparison, households with an income above $75 000 will be granted **42.2%** of the total tax cuts, whereas they paid **55.3%** of personal income tax.

GRAPH 3

DISTRIBUTION OF THE NUMBER OF TAXABLE HOUSEHOLDS, TAX BEFORE THE BUDGETS AND TAX REDUCTION[1] BY INCOME BRACKET – 2002
(as a percentage)



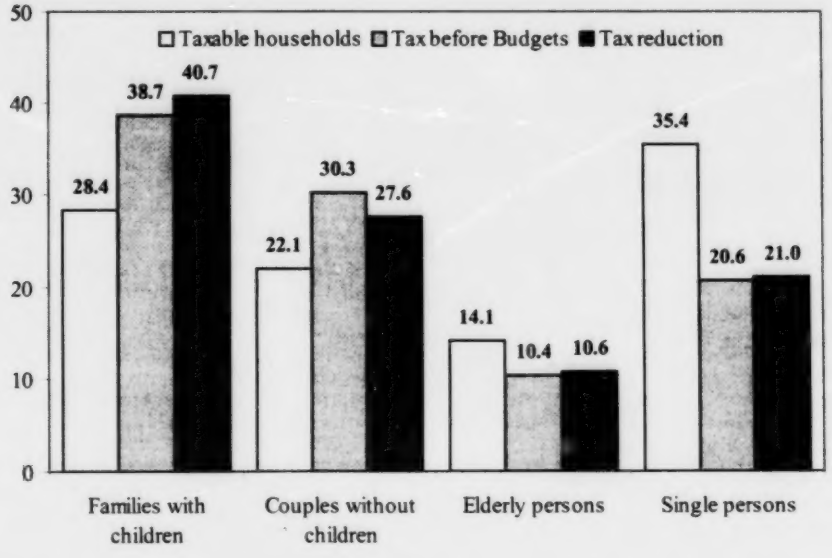
1. 2000-2001 Budget and 2001-2002 Budget.

Also in 2002, families will be accorded **40.7%** of the tax relief announced in March 2000 and March 2001, whereas their portion of the personal income tax burden before the 2000-2001 Budget was **38.7%**.

Comparatively speaking, **27.6%** of all tax cuts will be allocated to couples with no children, who paid **30.3%** of total income taxes before the 2000-2001 Budget.

GRAPH 4

DISTRIBUTION OF THE NUMBER OF TAXABLE HOUSEHOLDS, TAX BEFORE THE BUDGETS AND TAX REDUCTION[1] BY HOUSEHOLD CATEGORY – 2002
(as a percentage)



1. 2000-2001 Budget and 2001-2002 Budget.

3.2 A progressive tax system

One of the features of Québec's personal income tax system is its **marked progressivity**, which ensures a better redistribution of income between rich and poor. The changes made to the personal income tax system in March 2000 and March 2001 will maintain this progressivity and continue to ensure the equitable redistribution of wealth.

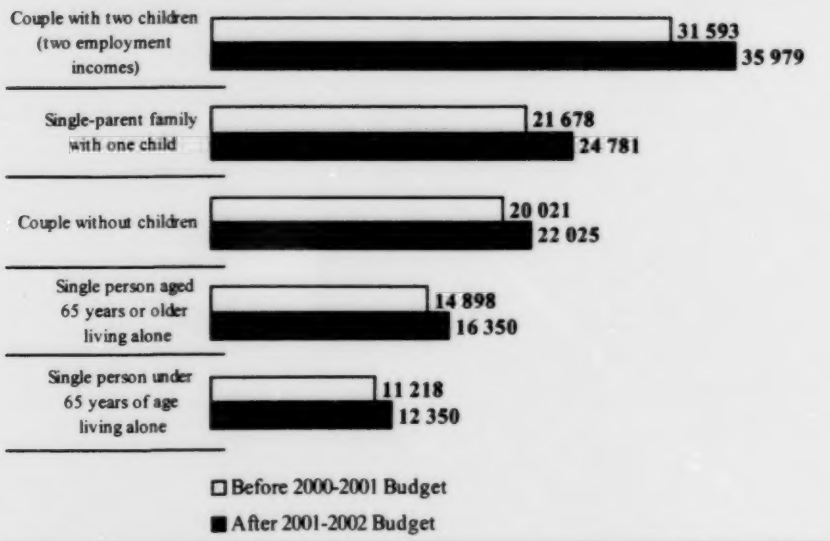
❑ *Increase in tax thresholds*

— In 2002, **the income thresholds** below which **households do not pay tax** will **rise drastically**.[4]

For families with children, tax thresholds will increase some **14%** as compared to the thresholds in effect before the 2000-2001 Budget. For example, the tax threshold for a two-earner couple with two children will be raised from $31 593 to $35 979, while for other household categories, tax thresholds will go up by approximately **10%**.

GRAPH 5

COMPARISON OF TAX THRESHOLDS – 2002
(in dollars)

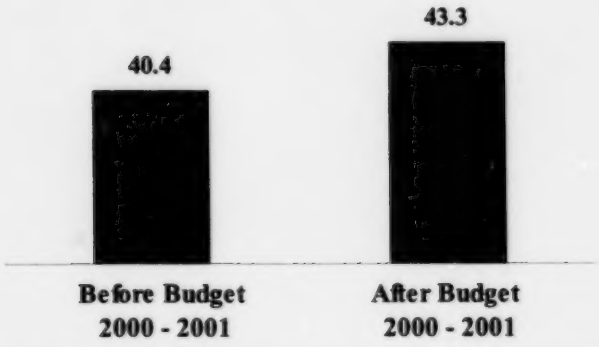


4 Appendix 4 shows the progression in tax thresholds from 1999 to 2002.

— It should be noted that over 40% of all Québec taxpayers are not on the tax rolls. This increase in tax thresholds means that an additional **160 000** taxpayers will pay no tax in 2002, as compared to the situation prior to the 2000-2001 Budget. This increase boosts the proportion of taxpayers not on the tax rolls to 43%.

GRAPH 6

TAXPAYERS NOT ON THE TAX ROLLS IN 2002
(as a percentage of the total number of taxpayers)



- ***Decrease in average tax rates for all households***

— The tax cuts introduced in March 2000 and deepened in March 2001 were implemented so as to **maintain the progressivity of the tax system**.

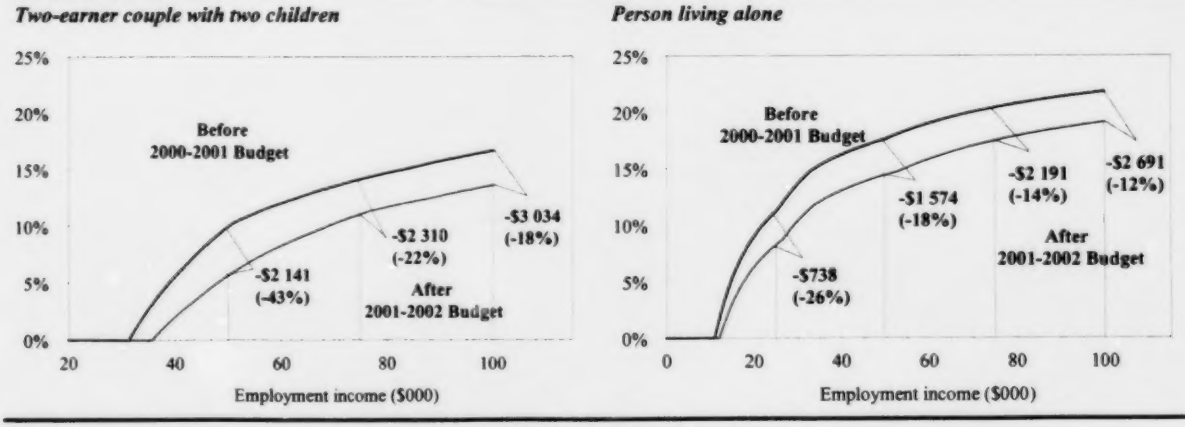
If we look at the example of two typical households, i.e. a two-earner couple with two children and a person living alone, we can see that the decrease in the average tax rates is proportionally **more significant** for **low-income earners** than for households with **higher incomes**.

In the case of a **two-earner couple with two children**, the reduction in the average tax rate is **43%** for an income of $50 000, as compared to **22%** for an income of $75 000 and **18%** for an income of $100 000.

For a person **who lives alone**, the average tax rate decreases by **26%** for an income of $25 000, as compared to **18%** for an income of $50 000, **14%** for an income of $75 000 and **12%** for an income of $100 000.

GRAPH 7

COMPARISON OF AVERAGE TAX RATES FOR 2002 BEFORE 2000-2001 BUDGET AND AFTER 2001-2002 BUDGET



Note: The average tax rate corresponds to income tax expressed as a percentage of the total income.

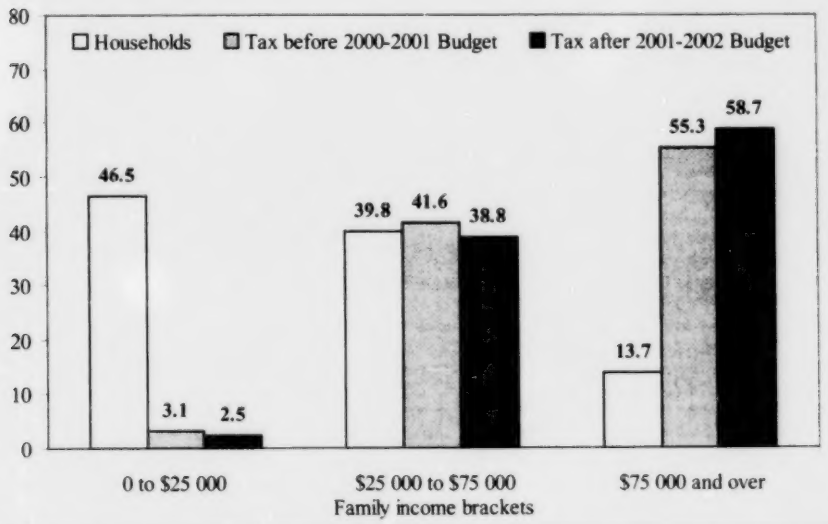
❒ *Distribution of income tax among households*

Overall, the **share of the tax burden** borne by low-income taxpayers has **diminished**, thanks to the tax cuts announced in March 2000 and March 2001.

All told, and including households not on the tax rolls, households with an income below $25 000 will pay **2.5%** of personal income tax in 2002, as compared to **3.1%** before the 2000-2001 Budget.

GRAPH 8

DISTRIBUTION OF THE TOTAL NUMBER OF HOUSEHOLDS AND TAX PAYABLE BY INCOME BRACKET – 2002
(as a percentage)



3.3 A more competitive tax system

Personal income tax rates in Québec are high, especially when compared with the tax systems in force in the other provinces. The tax cuts granted in March 2000 improved the situation in this regard. During that same year, most of the other provinces implemented tax reductions equivalent to those announced by Québec.

❒ *Reduction of the tax burden differential*

The new tax cuts announced in the **2001-2002 Budget Speech** will further narrow the gap between the tax burden borne by Québec taxpayers and that borne by taxpayers in other provinces, thereby making the Québec tax system more **competitive**.

Taking into account the tax cuts announced in March 2000 and March 2001, the average difference in the tax burden in Québec and the other provinces will be **reduced by over one third**, dropping from $3.1 to $2.0 billion.[5]

The tax burden differential for Québec and the other provinces will be reduced in all cases – including Ontario – except for Alberta and Newfoundland.

5 Appendix 5 provides a comparison of marginal tax rates on the highest incomes.

TABLE 20

DIFFERENCE IN THE TAX BURDEN IN QUÉBEC AND THE OTHER PROVINCES DETERMINED BY APPLYING THE TAX STRUCTURE OF THE OTHER PROVINCES TO QUÉBEC — PERSONAL INCOME TAX

	1999	2002[1]	Variation in difference
	(millions of $)	(millions of $)	(%)
Difference Québec - other provinces[2]			
Ontario	5 779[3]	3 999	-31
Alberta	4 828	4 852	0
British Columbia	4 046	2 215	-45
Nova Scotia	3 300	1 466	-56
Prince Edward Island	2 676	998	-63
New Brunswick	2 599	1 043	-60
Manitoba	1 911	389	-80
Saskatchewan[4]	1 584	1 113	-30
Newfoundland	1 321	1 761	33
Average difference	**3 116**	**1 982**	**-36**
As a percentage of Québec tax	*20*	*13*	—

1. The estimate takes into account the measures announced by the federal government and the other provinces as at March 23, 2001.
2. The Québec tax abatement of 16.5% is subtracted from the difference in the tax burden.
3. Does not include the fiscal dividend paid for the 1999 taxation year.
4. This includes Saskatchewan's tax reduction, which will not be implemented until 2003.

❑ *Reduction of the tax burden differential for all taxpayers*

Concretely, the **differences in the average tax rates** paid by **Québec taxpayers** and those of other provinces will be **reduced.**[6] To illustrate how this gap between tax rates will narrow, the tax rates that will apply in Québec in 2002 were compared with the average tax rates in the other provinces for two typical households.

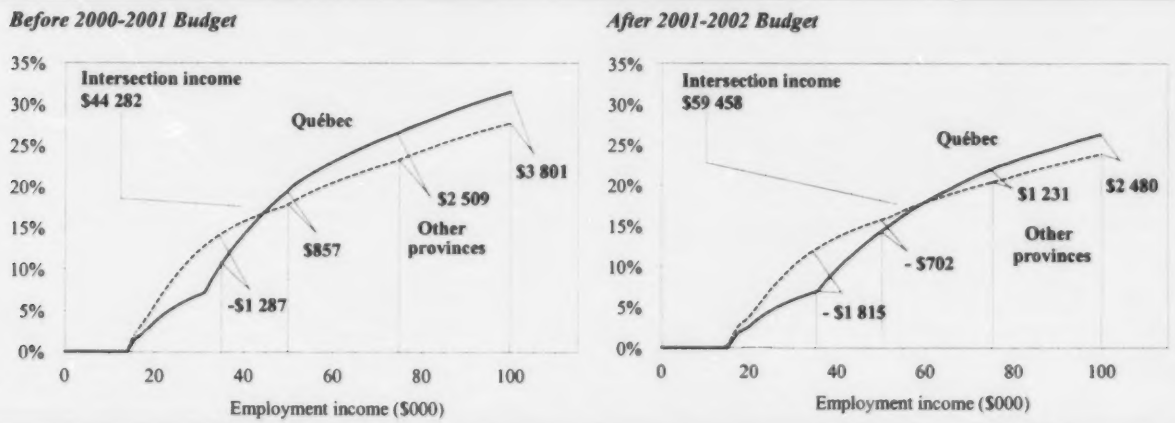
- **Couples with two children and two employment incomes**

A **couple with two children and two employment incomes** will pay less income tax in Québec on earnings of up to $59 458, as compared to $44 282 before the 2000-2001 Budget.

Furthermore, this household will benefit from a substantial decrease in the existing tax burden differential. The gap will narrow from $2 509 to $1 231 for an income of $75 000, and from $3 801 to $2 480 for an income of $100 000.

GRAPH 9

COMPARISON OF AVERAGE TAX RATES IN QUÉBEC AND THE OTHER PROVINCES FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES – 2002



Notes: 1. Federal and provincial income tax including the impact of the measures announced by the federal government and the other provinces as at March 23, 2001.

2. The average tax rate for the other provinces is equal to the mean of the average tax rate calculated for each of the provinces.

6 Appendix 6 provides a comparison of average tax rates in Québec and Ontario.

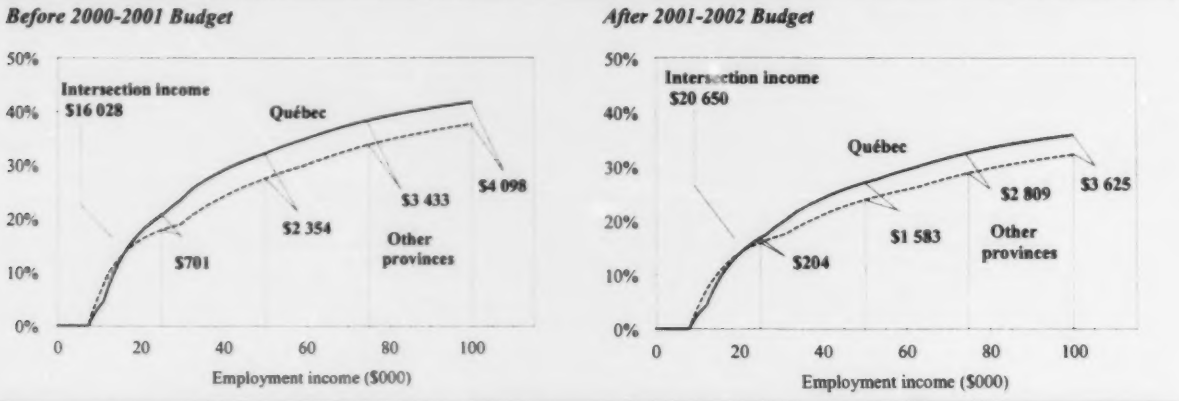
- **Persons living alone**

A **person under 65 years of age who lives alone** will pay less tax in Québec on earnings of up to $20 650, as compared to $16 028 before the 2000-2001 Budget.

Beyond this income threshold, the difference in the amount of tax paid by the same person will be significantly reduced, declining from $2 354 to $1 583 for an income of $50 000, and from $3 433 to $2 809 for an income of $75 000.

GRAPH 10

COMPARISON OF AVERAGE TAX RATES IN QUÉBEC AND THE OTHER PROVINCES FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE – 2002



Notes: 1. Federal and provincial income tax including the impact of the measures announced by the federal government and the other provinces as at March 23, 2001.

2. The average tax rate for the other provinces is equal to the mean of the average tax rate calculated for each of the provinces.

3.4 A tax system that is more conducive to employment

At the parliamentary committee hearings held in the fall of 1999, the impact of the tax system on the **incentive to work** was the subject of frequent discussions.

❒ *Implicit marginal taxation*

When the employment income of Quebecers entitled to transfer payments or certain tax benefits goes up, the result is a reduction in the benefits they receive. At the same time, they are obliged to pay higher amounts both in taxes and contributions to social programs.

The combined impact of these two phenomena produces what is generally referred to as "**implicit marginal taxation**". What this means is that at certain levels, any increase in income is largely cancelled out by the joint effects of higher taxes and reduced transfer payments and benefits.

Implicit marginal taxation can thus discourage citizens from seeking to earn a higher employment income, given the effective impact of this increase on their disposable income.

❒ *Reduction of the implicit marginal tax rate*

The changes made by the government to the personal income tax system will reduce implicit marginal taxation. The personal income tax reduction plan announced in March 2000 and enhanced in March 2001 will effectively increase the amount of additional disposable income for the taxpayers concerned.

— The reduction in the **first tax rate** from 20% to 16% will have an immediate impact on the first income brackets, which are the most strongly affected by implicit marginal taxation.

— The **measures in favour of families** announced in March 2000 – the additional tax reduction for families, which will be fully implemented a year ahead of schedule, in January 2001, and the increase in the refundable tax credit for child-care expenses – will also mitigate the impact of implicit marginal taxation on the households concerned.

❑ *Two examples*

If we look at the situation of two typical households, we observe that the measures announced in March 2001 and March 2000 will substantially reduce implicit marginal taxation.

- **Couples with two children and two employment incomes**

For a **couple with two children and a combined employment income** of between $32 000 and $34 000, the implicit marginal tax rate will plummet from **29%** to **3%**, while the same couple earning an income of $35 000 will see their implicit marginal tax rate fall from **29%** to **11%**.

TABLE 21

IMPLICIT MARGINALTAX RATES[1] FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES - 2002
(as a percentage)

Household employment income ($)	Rate before Budgets[2]	Impact of the Budgets[2]			Rate after Budgets[2]
		New tax table	Additional tax reduction for families	Total	
32 000	29	-23[3]	-3	-26	3
33 000	29	-23[3]	-3	-26	3
34 000	29	-23[3]	-3	-26	3
35 000	29	-15[3]	-3	-18	11
40 000	26	-4	-3	-7	19
45 000	28	-3	-3	-6	22
50 000	28	-3	-3	-6	22
60 000	22	-3	3[4]	0	22
80 000	23	-3	—	-3	20
100 000	25	-2	—	-2	23

1. The implicit marginal tax rates are calculated solely for the Québec tax system on an increase of $1 000 in employment income.
2. 2000-2001 Budget and 2001-2002 Budget.
3. The strong impact on the implicit marginal tax rates is due to the fact that one of the taxpayers pays no tax.
4. A couple who becomes eligible for the tax reduction for families will see an increase in its implicit marginal tax rate. Nonetheless, its after-tax income will increase.

- **Single-parent families with one child**

For a **single-parent family** with a child under six years of age and child-care expenses of $5 000 per year, the implicit marginal tax rate will drop from **63%** to **37%** for an income of between $27 000 and $30 000, and from **58%** to **37%** for earnings of $32 000.

TABLE 22

IMPLICIT MARGINAL TAX RATES[1] FOR A SINGLE-PARENT FAMILY WITH A CHILD UNDER SIX YEARS OF AGE AND CHILD-CARE EXPENSES OF $5 000 PER YEAR
(as a percentage)

Household employment income ($)	Rate before Budgets[2]	Impact of the Budgets: Tax credit for child-care expenses	Impact of the Budgets: New tax table	Impact of the Budgets: Additional tax reduction for families	Impact of the Budgets: Total	Rate after Budgets[2]
27 000	63	-20	-3	-3	-26	37
28 000	63	-20	-3	-3	-26	37
29 000	63	-20	-3	-3	-26	37
30 000	63	-20	-3	-3	-26	37
32 000	58	-15	-3	-3	-21	37
35 000	32	5[3]	-3	-3	-1	31
37 000	32	5[3]	-3	-3	-1	31
40 000	29	5[3]	-3	-3	-1	28
60 000	31	—	-2	3[4]	1	32
80 000	26	—	-2	—	-2	24

1. The implicit marginal tax rates are calculated solely for the Québec tax system on an increase of $1 000 in employment income.
2. 2000-2001 Budget and 2001-2002 Budget.
3. In this range, the tax credit rate declines rather than remaining constant. The marginal tax rate is increased but assistance is improved.
4. A single-parent family who becomes eligible for the tax reduction for families

3.5 Full protection of taxpayers against the effects of inflation

During the parliamentary committee hearings held in the fall of 1999, it was pointed out that the non-indexation of the tax system automatically increases the tax burden during periods of inflation. For example, when a taxpayer's salary increases with inflation, the progressivity of the tax system triggers an increase in his average tax rate. Even if this taxpayer's real income has not changed, his or her tax rate may rise solely due to inflation.

❒ *Ensuring full indexation*

In March 2000, the government announced the automatic indexation of the tax system beginning in 2003, with taxpayers being protected up until that time by the tax reduction, the benefits of which largely exceed simple indexation.

With the **2001-2002 Budget Speech**, the government is moving the automatic indexation of the personal income tax system forward to **January 2002**.

— For the year 2001, the tax cuts currently in effect and the new tax reduction plan, scheduled to take effect in July, will protect taxpayers against the effects of inflation.

— Beginning in January 2002, thanks to automatic indexation, taxpayers will enjoy the benefits of this tax relief on a lasting basis, regardless of any future cost-of-living increases.

As mentioned at the beginning of this document, automatic indexation as of January 2002 represents, for the government, a financial impact of **$195 million** in 2002-2003, reaching slightly more than **$600 million** over four years.

CONCLUSION

By announcing a new personal income tax reduction plan, the government is expanding on the measures introduced in March 2000. These new tax cuts are significant. They will benefit all taxpayers, especially low- and middle-income households and families, in accordance with government priorities.

The government thus goes a step further in improving its personal income tax system – a system that is streamlined, competitive, progressive and more conducive to employment, and that fully protects taxpayers against the effects of inflation.

Thanks to a strong economy, the government is able to pass on the benefits of sound public finances to all Quebecers, and is committed to pursuing efforts in this direction, if economic conditions allow.

Appendices

Appendix 1: Parameters of the personal income tax system subject to indexation as of 2002

TABLE A.1

TAX PARAMETERS SUBJECT TO INDEXATION IN 2002
(in dollars)

	Current	2002[1]
Tax Table		
Upper threshold of the first income bracket	26 000	26 470
Upper threshold of the second income bracket	52 000	52 935
Flat amount under the simplified tax system	2 625	2 675[2]
Essential amounts		
Basic amount	5 900	6 005
Amount respecting a spouse	5 900	6 005
Amount for persons living alone	1 050	1 070
Amount respecting dependent children		
- 1st child	2 600	2 645
- each additional child	2 400	2 445
- amount for a single-parent family	1 300	1 325
Amount respecting children engaged in post-secondary studies (per term)	1 650	1 680
Amount respecting other dependants	2 400	2 445
Amount respecting other dependants with an infirmity	5 900	6 005
Reduction threshold for certain tax credits[3]	26 000	26 470
Parameters for certain refundable tax credits		
Refundable tax credit for medical expenses		
- maximum amount	500	510
- reduction threshold	17 500	17 815
QST credit		
- maximum amount per adult	154	157
- maximum amount for a person living alone	103	105
Real estate tax refund		
- maximum allowable taxes	1 285	1 310
- taxes deducted per adult	430	440
Tax credit for residents of a northern village		
- monthly amount per adult	35	36
- monthly amount respecting a dependant	15	15

1. Based on an indexing factor of 1.8%.
2. The flat amount for 2002 will be equal to the highest of the following two amounts:
   (1) $2 675, which corresponds to the flat amount for 2001 indexed at a rate of 1.8%; or
   (2) the total of an employee's maximum QPP contributions and maximum employment insurance premiums for 2002, once this amount is known, plus $250.
   For tax calculation purposes for typical households in 2001 and 2002, the flat amount of $2 625 is used.
3. Tax credit for persons living alone, with respect to age and for retirement income, tax reduction for families, QST credit, tax credit for residents of a northern village and real estate tax refund.

Appendix 2: Tax relief granted to individuals since March 2000

TABLE A.2

TAX RELIEF GRANTED TO INDIVIDUALS SINCE MARCH 2000
(millions of dollars)

	2000-01	2001-02	2002-03	2003-04	TOTAL
General reduction of personal income tax					
Reduced tax rates	970	2 465	3 155	3 240	9 830
Additional tax reduction for families	65	185	175	175	600
Automatic indexation of the income tax system as of 2002	—	35	195	375	605
Subtotal	***1 035***	***2 685***	***3 525***	***3 790***	***11 035***
Measures concerning families					
Increase in tax credit for child-care expenses	—	29	29	29	87
Tax credits for adoption and the treatment of infertility	—	5	5	5	15
Improved tax credit for adults housing their parents	—	1	1	1	3
Subtotal	—	***35***	***35***	***35***	***105***
Measures concerning young people					
Exemption for scholarships and prizes	4	32	36	36	108
Eligibility of the QST credit in respect of students who are not dependants of their parents	—	2	4	4	10
Tax credit for top-level athletes	—	5	5	5	15
Subtotal	***4***	***39***	***45***	***45***	***133***
Measures concerning culture					
Improvement of the deduction respecting copyright income	—	—	1	1	2
Improvement in the tax credit for gifts	—	3	3	3	9
Subtotal	—	***3***	***4***	***4***	***11***
Measures concerning businesses, investment and the development of the new economy					
Improved tax system for self-employed workers	4	29	29	29	91
Reduction of the capital gains inclusion rate from 75% to 50%	3	27	69	69	168
Capital gains deferral in respect of certain small business investments	4	27	27	27	85
Relaxation of the tax treatment of stock options	2	20	20	20	62
Improved cooperative investment plan	—	2	2	2	6
Subtotal	***13***	***105***	***147***	***147***	***412***
Other measures					
Improved tax treatment in the event of death	—	—	8	8	16
Extension of the tax credit for political contributions to municipal electoral contributions	—	—	1	1	2
TOTAL	**1 052**	**2 867**	**3 765**	**4 030**	**11 714**

Appendix 3: Breakdown of the overall tax reduction for 2002 as provided for in the 2000-2001 and 2001-2002 Budgets

TABLE A.3

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES – 2002
(in dollars)

		Tax reduction							
		Tax table							
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Additional tax reduction for families	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	$	%
30 000	0	—	—	—	—	—	—	—	—
35 000	969	1 400	—	—	-662	230	—	969	100
40 000	2 269	1 600	—	—	-662	420	74	1 433	63
45 000	3 629	1 720	100	—	-662	570	93	1 821	50
50 000	5 019	1 800	190	—	-662	720	93	2 141	43
55 000	6 169	1 880	280	—	-662	630	93	2 221	36
60 000	7 259	1 960	370	—	-662	480	93	2 241	31
65 000	8 379	2 000	530	—	-662	330	93	2 291	27
70 000	9 529	2 000	680	—	-662	180	112	2 310	24
75 000	10 679	2 000	830	—	-662	30	112	2 310	22
100 000	16 729	2 000	1 280	280	-662	—	135	3 034	18
125 000	22 929	2 000	1 580	580	-662	—	135	3 634	16

Note: It is assumed that one spouse earns 60% of the household employment income and the other, 40%.

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.4

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME – 2002
(in dollars)

		Tax reduction							
		Tax table							
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate 23% to 20%	Additional tax reduction for families	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	$	%
30 000	0	—	—	—	—	—	—	—	—
35 000	1 269	1 000	340	—	-662	270	93	1 041	82
40 000	2 719	1 000	490	—	-662	420	93	1 341	49
45 000	4 169	1 000	640	—	-662	570	93	1 641	39
50 000	5 619	1 000	790	—	-662	720	93	1 941	35
55 000	6 979	1 000	790	180	-662	630	130	2 069	30
60 000	8 279	1 000	790	280	-662	480	130	2 019	24
65 000	9 579	1 000	790	380	-662	330	130	1 969	21
70 000	10 879	1 000	790	480	-662	180	130	1 919	18
75 000	12 179	1 000	790	580	-662	30	130	1 869	15
100 000	18 679	1 000	790	1 080	-662	0	116	2 325	12
125 000	25 179	1 000	790	1 580	-662	0	116	2 825	11

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.5

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A SINGLE-PARENT FAMILY WITH ONE CHILD – 2002
(in dollars)

		Tax reduction							
		Tax table							
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Additional tax reduction for families	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	$	%
20 000	0	—	—	—	—	—	—	—	—
25 000	706	1 000	—	—	-404	0	39	635	90
30 000	2 234	1 000	190	—	-386	120	86	1 010	45
35 000	3 787	1 000	340	—	-373	270	68	1 305	34
40 000	5 237	1 000	490	—	-373	420	68	1 605	31
45 000	6 687	1 000	640	—	-373	570	68	1 905	28
50 000	7 892	1 000	790	—	-373	475	68	1 960	25
55 000	9 192	1 000	790	180	-373	325	105	2 028	22
60 000	10 492	1 000	790	280	-373	175	105	1 978	19
65 000	11 792	1 000	790	380	-373	25	105	1 928	16
70 000	13 092	1 000	790	480	-373	0	91	1 988	15
75 000	14 392	1 000	790	580	-373	0	91	2 088	15
100 000	20 892	1 000	790	1 080	-373	0	91	2 588	12
125 000	27 392	1 000	790	1 580	-373	0	91	3 088	11

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.6

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A COUPLE WITH NO CHILDREN AND TWO EMPLOYMENT INCOMES – 2002
(in dollars)

		Tax reduction						
		Tax table						
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	%
15 000	0	—	—	—	—	—	—	—
20 000	79	591	—	—	-512	—	79	100
25 000	1 079	1 000	—	—	-512	42	531	49
30 000	2 079	1 200	—	—	-512	42	731	35
35 000	3 079	1 400	—	—	-512	42	931	30
40 000	4 079	1 600	—	—	-512	42	1 131	28
45 000	5 139	1 720	100	—	-512	61	1 369	27
50 000	6 229	1 800	190	—	-512	61	1 539	25
55 000	7 319	1 880	280	—	-512	61	1 709	23
60 000	8 409	1 960	370	—	-512	61	1 879	22
65 000	9 529	2 000	530	—	-512	61	2 079	22
70 000	10 679	2 000	680	—	-512	80	2 248	21
75 000	11 829	2 000	830	—	-512	80	2 398	20
100 000	17 879	2 000	1 280	280	-512	117	3 166	18
125 000	24 079	2 000	1 580	580	-512	117	3 766	16

Note: It is assumed that one spouse earns 60% of the household employment income and the other, 40%.

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.7

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A COUPLE WITH NO CHILDREN AND ONE EMPLOYMENT INCOME – 2002
(in dollars)

		Tax reduction						
		Tax table						
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	%
15 000	0	—	—	—	—	—	—	—
20 000	79	591	—	—	-512	—	79	100
25 000	1 079	1 000	—	—	-512	42	531	49
30 000	2 229	1 000	190	—	-512	61	739	33
35 000	3 379	1 000	340	—	-512	61	889	26
40 000	4 529	1 000	490	—	-512	61	1 039	23
45 000	5 679	1 000	640	—	-512	61	1 189	21
50 000	6 829	1 000	790	—	-512	61	1 339	20
55 000	8 129	1 000	790	180	-512	98	1 557	19
60 000	9 429	1 000	790	280	-512	98	1 657	18
65 000	10 729	1 000	790	380	-512	98	1 757	16
70 000	12 029	1 000	790	480	-512	98	1 857	15
75 000	13 329	1 000	790	580	-512	98	1 957	15
100 000	19 829	1 000	790	1 080	-512	98	2 457	12
125 000	26 329	1 000	790	1 580	-512	98	2 957	11

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.8

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A COUPLE AGED 65 OR OVER – 2002
(in dollars)

		Tax reduction						
		Tax table						
Total income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	%
25 000	0	—	—	—	—	—	—	—
30 000	975	1 200	—	—	-656	56	601	62
35 000	2 295	1 203	188	—	-633	75	833	36
40 000	3 617	1 203	338	—	-611	75	1 005	28
45 000	4 940	1 203	488	—	-588	75	1 178	24
50 000	6 262	1 203	638	—	-566	75	1 350	22
55 000	7 585	1 203	788	—	-543	75	1 523	20
60 000	9 055	1 203	790	178	-521	112	1 763	19
65 000	10 424	1 203	790	278	-512	98	1 858	18
75 000	13 024	1 203	790	478	-512	98	2 058	16
100 000	19 524	1 203	790	978	-512	98	2 558	13
125 000	26 024	1 203	790	1 478	-512	98	3 058	12

Note: Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.9

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A PERSON AGED 65 OR OVER WHO LIVES ALONE – 2002
(in dollars)

		Tax reduction						
		Tax table						
Total income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	%
15 000	0	—	—	—	—	—	—	—
20 000	1 062	800	—	—	-383	25	442	42
25 000	2 062	1 000	—	—	-383	25	642	31
30 000	3 350	1 000	190	—	-365	58	883	26
35 000	4 672	1 000	340	—	-343	58	1 055	23
40 000	5 995	1 000	490	—	-320	58	1 228	20
45 000	7 317	1 000	640	—	-298	58	1 400	19
50 000	8 640	1 000	790	—	-275	58	1 573	18
55 000	10 089	1 000	790	180	-256	77	1 791	18
60 000	11 389	1 000	790	280	-256	77	1 891	17
65 000	12 689	1 000	790	380	-256	77	1 991	16
75 000	15 289	1 000	790	580	-256	77	2 191	14
100 000	21 789	1 000	790	1 080	-256	77	2 691	12
125 000	28 289	1 000	790	1 580	-256	77	3 191	11

Note: Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

TABLE A.10

BREAKDOWN OF THE OVERALL TAX REDUCTION AS PROVIDED FOR IN THE 2000-2001 AND 2001-2002 BUDGETS FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE – 2002
(in dollars)

		Tax reduction						
		Tax table						
Employment income	Tax before Budgets	1st rate 20% to 16%	2nd rate 23% to 20%	3rd rate 26% to 24%	Tax credit rate[1] 23% to 20%	Indexation	Total tax reduction	
$	$	$	$	$	$	$	$	%
10 000	0	—	—	—	—	—	—	—
15 000	798	600	—	—	-287	25	338	42
20 000	1 798	800	—	—	-287	25	538	30
25 000	2 798	1 000	—	—	-287	25	738	26
30 000	4 086	1 000	190	—	-269	58	979	24
35 000	5 339	1 000	340	—	-256	40	1 124	21
40 000	6 489	1 000	490	—	-256	40	1 274	20
45 000	7 639	1 000	640	—	-256	40	1 424	19
50 000	8 789	1 000	790	—	-256	40	1 574	18
55 000	10 089	1 000	790	180	-256	77	1 791	18
60 000	11 389	1 000	790	280	-256	77	1 891	17
65 000	12 689	1 000	790	380	-256	77	1 991	16
70 000	13 989	1 000	790	480	-256	77	2 091	15
75 000	15 289	1 000	790	580	-256	77	2 191	14
100 000	21 789	1 000	790	1 080	-256	77	2 691	12
125 000	28 289	1 000	790	1 580	-256	77	3 191	11

1. In addition to the 4-point reduction in the first tax rate, the rate used to convert amounts to non-refundable tax credits will drop 3 points.

Appendix 4: Progression in tax thresholds from 1999 to 2002

TABLE A.11

INCOME THRESHOLDS AT WHICH TAX BECOMES PAYABLE – 1999 TO 2002
(in dollars)

	1999	2000	2001	2002
Couple with one child				
- one employment income	28 413	29 034	30 772	32 199
- two employment incomes	28 806	29 477	31 786	33 405
Couple with two children				
- one employment income	30 316	30 954	32 826	34 375
- two employment incomes	30 930	31 677	34 276	35 979
Single-parent family with one child	21 247	21 764	23 476	24 781
Couple under 65 years of age with no children				
- one employment income	19 159	19 487	20 811	22 025
- two employment incomes	19 159	19 487	20 811	22 025
Couple aged 65 or older	25 369	25 740	27 185	28 411
Single person under 65 years of age				
- living alone	10 787	10 959	11 687	12 350
- sharing a dwelling	9 579	9 743	10 405	11 012
Single person aged 65 or older				
- living alone	14 467	14 664	15 593	16 350
- sharing a dwelling	13 259	13 448	14 311	15 012

Note: 1. For couples with two employment incomes, it is assumed that one spouse earns 60% of the household income, and the other, 40%.

2. In the case of taxpayers under 65 years of age, income is employment income. For taxpayers aged 65 or over, income includes retirement and investment income, as well as old age security pension payments including, where applicable, those of the spouse.

Appendix 5: Comparison of marginal tax rates on the highest incomes in Québec and the other provinces

TABLE A.12

COMPARISON OF MARGINAL TAX RATES ON THE HIGHEST INCOMES[1]
(as a percentage)

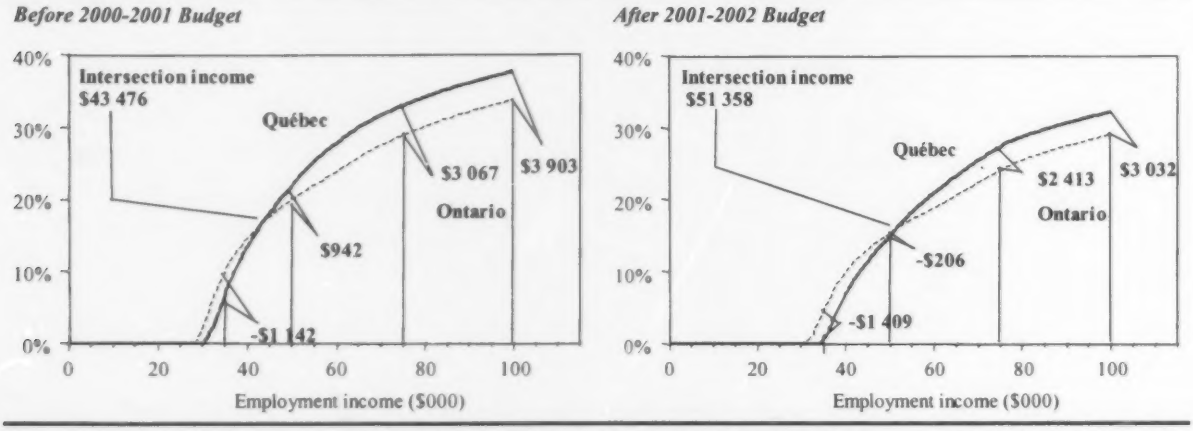
	1999	2000	2001[2]	2002[2]
Québec	52.1[3]	50.7	48.7	48.2
Other provinces				
Ontario	48.8	47.9	46.4	46.4
Alberta	45.2	43.7	39.0	39.0
British Colombia	52.3	51.3	48.7	48.7
Nova Scotia	49.2	48.8	47.4	47.4
Prince Edward Island	49.5	48.8	47.3	47.3
New Brunswick	49.7	48.8	46.8	46.8
Manitoba	49.0	48.1	46.5	46.5
Saskatchewan	50.8	49.7	45.0	44.5
Newfoundland	52.9	50.2	48.6	48.6
Average of other provinces	49.7	48.6	46.2	46.1
Difference Québec - other provinces	2.4	2.1	2.5	2.1

1. The maximum marginal tax rate corresponds to the combined federal and provincial rate at which each additional dollar on the highest income is taxed.
2. Includes the impact of the measures announced by the federal government and the other provinces as at March 23, 2001.
3. Does not include the 0.3% contribution to the anti-poverty fund (Fonds de lutte contre la pauvreté par la réinsertion au travail).

Appendix 6: Comparison of average tax rates in Québec and Ontario

GRAPH A.1

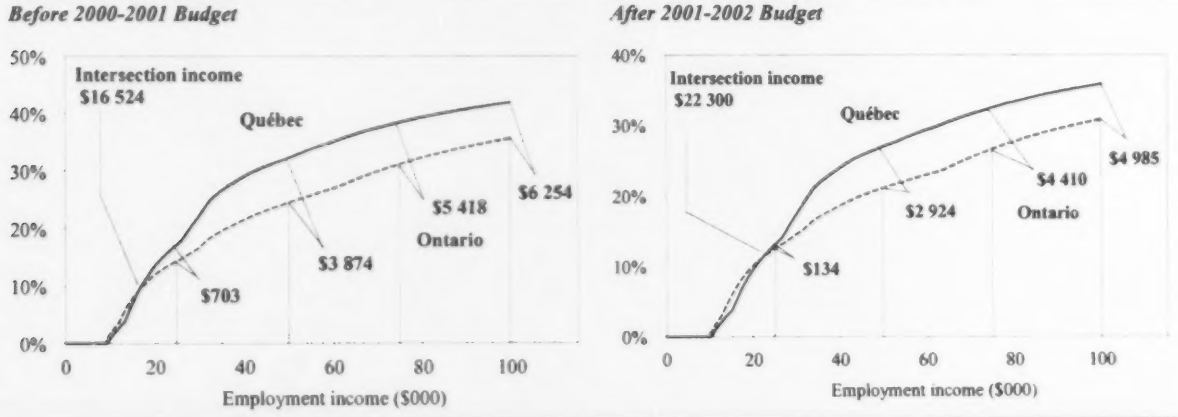
COMPARISON OF AVERAGE TAX RATES IN QUÉBEC AND ONTARIO FOR A COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME – 2002



Note: Federal and provincial income tax, minus refundable tax credits, the child tax benefit and the family allowance. This includes the impact of the measures announced by the federal government and the other provinces as at March 23, 2001.

GRAPH A.2

COMPARISON OF AVERAGE TAX RATES IN QUÉBEC AND ONTARIO FOR A PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE – 2002



Note: Federal and provincial income tax, minus refundable tax credits. This includes the impact of the measures announced by the federal government and the other provinces as at March 23, 2001.

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